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Subchapter 31A CSRS
Part 31A1 General Information**Section 31A1.1-1 Overview**

A. Introduction

This subchapter covers voluntary contributions to the Civil Service Retirement and Disability Fund (hereafter the "Fund") in addition to regular retirement deductions taken from an individual's basic pay under CSRS. Voluntary contributions may be used to increase the amount of annuity at retirement or as a savings or investment option.

Employees under FERS are not eligible to make voluntary contributions. See section 31A1.1-2, paragraph D, for information about accounts established by employees before transferring to FERS.

B. Topics Covered

This subchapter covers:

- The eligibility requirements to make voluntary contributions;
 - The amount of voluntary contributions and their effect on the annuity;
 - The interest earned on voluntary contributions;
 - The refund of voluntary contributions; and
 - The procedures governing voluntary contributions accounts.
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**C. Organization
of Subchapter**

This subchapter has five parts:

| Part | Name of Part | Page |
|------|---------------------|------|
| 31A1 | General Information | 1 |
| 31A2 | Interest | 4 |
| 31A3 | Effect on Annuity | 6 |
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**D. Statement of
Authority**

This subchapter is based on the laws and regulations cited below.

- United States Code: 5 U.S.C. 8343
 - Code of Federal Regulations: 5 CFR 831.401 through 407.
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Section 31A1.1-2 Employee Eligibility Requirements

A. General Requirements

Only these individuals may make or apply to make voluntary contributions:

- An employee who is currently covered by CSRS (including CSRS Offset); or
 - A separated employee whose application for retirement under CSRS is currently being processed by OPM.
-

B. Ineligibility When Deposit or Redeposit is Due

The applicant must not owe a deposit for nondeduction civilian service or a redeposit for refunded retirement deductions. He or she will be eligible to make voluntary contributions only upon completing the deposit or redeposit. See Chapter 21, Service Credit Payments for Civilian Service, for more information on deposit and redeposit service.

NOTE: It is not necessary for an employee to complete service credit deposits for post-1956 military service before being eligible to make voluntary contributions.

C. Effect of Refund of Voluntary Contributions

If the applicant ever received a refund of voluntary contributions, he or she cannot make further voluntary contributions unless he or she is reemployed:

- After a separation of more than 3 calendar days; and
 - Under CSRS.
-

D. FERS Transferee Account

An employee covered by FERS may not open a voluntary contributions account. An employee who had a voluntary contributions account before becoming covered by FERS may not continue to make contributions to the account.

NOTE: Any amount of voluntary contributions erroneously made to the employee's account after the employee becomes covered by FERS does not earn interest and will be refunded to the employee upon OPM's determination that the employee was ineligible to make contributions to his or her account.

Section 31A1.1-3 Amount of Voluntary Contributions

**A. Amount and
Limitation**

1. Payments of voluntary contributions to OPM must be made in multiples of \$25 (for example, \$50, \$75, \$100).
 2. Total contributions may not exceed 10 percent of the aggregate basic pay the employee has received as of the date any contribution is made. Basic pay is the pay the employee receives for creditable civilian service that is covered by deductions or deposits. See Chapter 30, Employee Deductions and Agency Contributions, for the definition of basic pay.
 3. The employee may not circumvent the 10-percent limit by making contributions based on anticipated future earnings. Any amount found to be in excess of the limit will be refunded without interest. See section 31A2.1-1 for more information about interest earned on voluntary contributions.
-

Part 31A2 Interest**Section 31A2.1-1 Interest on Voluntary Contributions****A. Rates of Interest**

Interest is earned at the rate of 3 percent annually through December 31, 1984. Beginning January 1, 1985, voluntary contributions earn a variable interest rate determined by the Department of the Treasury each calendar year, based on the average yield of new investments purchased by the Fund during the previous fiscal year. The interest credited to each voluntary contributions account is compounded annually on December 31.

| Variable Interest Rates | | | |
|-------------------------|---------------|--------------------|--|
| Year | Interest Rate | Year | Interest Rate |
| 1985 | 13.0% | 1991 | 8.625% |
| 1986 | 11.125% | 1992 | 8.125% |
| 1987 | 9.0% | 1993 | 7.125% |
| 1988 | 8.375% | 1994 | 6.25% |
| 1989 | 9.125% | 1995 | 7.0% |
| 1990 | 8.75% | > 1996 | 6.875 < |
| | | All future periods | To be determined by the Department of the Treasury |

B. When Interest Begins to Accrue

Voluntary contributions begin to earn interest on the date deposited by OPM.

C. Refund to a Current Employee

If a current employee takes a refund of voluntary contributions, interest accrues to the date OPM authorizes the refund payment.

D. Separation and Election of a Refund

If an employee separates and takes a refund of voluntary contributions, interest is computed to date of separation.

EXAMPLE: An employee made a voluntary contribution that OPM deposited on February 1, 1989, and separated from Federal service on November 18, 1989. The employee applied for a refund in December 1989. Interest was paid at the rate of 9.125% for 9 months and 18 days.

Section 31A2.1-1 Interest on Voluntary Contributions (Cont.)

| | |
|---|--|
| E. Separation and No Refund | <p>If an employee separates from Federal Service with entitlement to a deferred annuity and does not request a refund of his or her voluntary contributions, interest continues to accrue on the account to the beginning date of annuity or death, whichever is earlier.</p> <p>NOTE: If the former employee with entitlement to a deferred annuity decides, before final adjudication of the deferred annuity, to request a refund, interest is paid only to the date of separation. See paragraph D, above.</p> |
| F. Retirement on an Immediate Annuity | <p>If an employee separates from Federal service to retire on an immediate annuity, interest accrues on the voluntary contributions to the date of separation for retirement. This rule applies regardless of whether the retired employee elects to receive a refund of voluntary contributions or to purchase an additional annuity.</p> |
| G. No Interest on Contributions Above the 10-Percent Limit | <p>Interest is not earned on voluntary contributions made in excess of the 10-percent limit described in section 31A1.1-3.</p> |

Part 31A3 Effect on Annuity**Section 31A3.1-1 Purchase of Additional Annuity**

A. General Rule

An employee may elect to receive a lifetime annuity purchased with voluntary contributions in addition to his or her regular retirement annuity. See section 31A5.1-2 for procedures on how to purchase an additional annuity.

NOTE: A FERS transferee may purchase an additional annuity with his or her voluntary contributions.

B. Amount of Additional Annuity

1. Each \$100 in the voluntary contributions account provides an additional annual annuity of \$7, plus \$0.20 for each full year the retiree is over age 55 at the time the annuity begins.

EXAMPLE 1: If the retiree is age 60 at retirement, each \$100 would purchase \$8.00 a year of additional annuity.

$$60 \text{ years minus } 55 \text{ years} = 5 \text{ years}$$

$$\$0.20 \times 5 \text{ years} = \$1$$

$$\$7 + \$1 = \$8 \quad \text{additional annuity purchased per} \\ \$100 \text{ of voluntary contributions and} \\ \text{interest}$$

EXAMPLE 2: If a retiree is age 55 at retirement and has an account balance of \$10,000, the amount of additional annuity is \$700 per year.

$$\frac{\$10,000}{\$100} = 100$$

$$100 \times \$7 = \$700 \text{ per year}$$

2. Any additional annuity purchased by voluntary contributions continues to be paid as long as the individual remains retired.

NOTE: Once the annuity begins, the additional annuity purchased by voluntary contributions is not increased by any cost-of-living adjustments.

Section 31A3.1-1 Purchase of Additional Annuity (Cont.)**C. Additional
Survivor Annuity**

At retirement, the retiree may elect a reduction in his additional annuity to purchase a survivor annuity. Any person, related or unrelated to the retiree, may be designated, and need not be the same person for whom regular survivor annuity benefits are elected.

NOTE: If a retiring employee does not include RI 38-124, or SF 2802 with the notation that only voluntary contributions are to be refunded, with his or her retirement application, OPM assumes that the employee elects an additional annuity. OPM also assumes that election of a survivor benefit on the retirement application also applies to the additional annuity from the voluntary contributions account unless the retiree attaches a note to the application stating that he or she does not want a survivor benefit in connection with the additional annuity or wants to designate a different person to receive it.

1. If the retiree elects a survivor annuity, his or her additional annuity is reduced. The reduction in the additional annuity depends on the difference in the ages between the retiree and the person named as the survivor, as shown in the following table:

| Age of Person Named in Relation to That of Retiring Employee | Reduction in Annuity of Retiring Employee |
|---|--|
| (Years Younger) | (Percent) |
| Older, same age, or less than 5 | 10 |
| 5 but less than 10 | 15 |
| 10 but less than 15 | 20 |
| 15 but less than 20 | 25 |
| 20 but less than 25 | 30 |
| 25 but less than 30 | 35 |
| 30 or more | 40 |

2. The survivor annuity benefit is equal to 50 percent of the retiree's reduced additional annuity.

EXAMPLE: • Age at retirement: 60

- Spouse's age: 54 (6 years younger)
- Voluntary Contributions: \$500
- Additional benefit without survivor annuity: \$40 per year

Section 31A3.1-1 Purchase of Additional Annuity (Cont.)**C. Additional
Survivor Annuity
(Cont.)**

- Additional benefit with survivor annuity: \$34 per year

$$\$40 \times 15\% = \$6$$

$$\$40 \text{ minus } \$6 = \$34$$

- Additional benefit for survivor: \$17 per year

$$\$34 \times 50\% = \$17$$

NOTE If the employee elects to provide additional survivor annuity, the reduction of the additional annuity rate is permanent. The reduction will not be eliminated if the designated survivor predeceases the retiree, nor can the additional survivor annuity be transferred to a different person.

Part 31A4 Refunds**Section 31A4.1-1 Refund of Voluntary Contributions**

A. Withdrawal

An employee may withdraw all voluntary contributions with interest at any time before receiving additional annuity payments based on those contributions. The withdrawal is not subject to the spousal notification requirements that apply to refunds of regular retirement contributions.

See section 31A2.1-1 for information on the accrual of interest on voluntary contributions accounts.

See section 31A4.1-2 for information about the tax treatment of distributions of voluntary contributions.

> See Chapter 40 for instructions on filing an expedited refund request. <

B. Withdrawal at Retirement

If an employee plans to make the withdrawal at retirement, see Chapter 40.

C. Death in Service or After Separation

If the employee dies while still in Federal service or after separation from service but before becoming a retiree, the voluntary contributions account, including interest, is paid in a lump-sum payment to the person or persons who survive the employee and who are entitled under the normal order of precedence given in Chapter 34.

This payment after death also includes money credited as voluntary contributions for service performed in excess of that required for the 80-percent maximum annuity. (See Chapter 50, section 50A3.1-2.)

D. Death of Retiree

If the retired employee and any designated survivor annuitant die without having received the total amount of voluntary contributions with interest as additional annuity payments, OPM pays any remaining monies in a lump sum to the person or persons entitled under the normal order of precedence given in Chapter 34.

Section 31A4.1-2 Taxation of Voluntary Contributions

A. General

The information in this section has been authorized by the Internal Revenue Service (IRS). For any additional information about tax treatment of voluntary contributions accounts, contact the IRS.

Employees should read both the Voluntary Contributions Notice (Form RI 38-125) and the Special Tax Notice Regarding Rollovers (Form RI 37-22) for information on refunds, rollovers, taxes and voluntary contributions annuities. The Special Tax Notice Regarding Rollovers is also found in Chapter 40 and may be locally reproduced.

B. Taxable Year

If an individual takes a refund of voluntary contributions, any accrued interest is taxable in the tax year in which the refund is received unless the taxable portion is directly rolled over by OPM. (See paragraph D. below.) Only the interest portion of the refund is taxable.

**C. Additional
10-Percent Tax on
Interest**

If an individual receives a refund of voluntary contributions before he or she attains age 59 1/2, the interest portion of the refund is generally subject to an additional 10-percent early distribution tax. Exceptions to the 10-percent tax are as follows:

- Payments on account of disability (as defined by the Internal Revenue Code; see IRS Publication 575);
- Monthly additional annuity payments elected at time of retirement (rather than a lump sum payment of the voluntary contributions account);
- Payments after separation from service if the separation occurred during or after the year in which the recipient attains age 55;
- Payments to survivors after the death of the employee.

NOTE 1: The early distribution tax is calculated by multiplying 10 percent times the amount of interest paid as part of your refund.

NOTE 2: IRS Form 5329 provides additional information on the 10-percent tax.

Section 31A4.1-2 Taxation of Voluntary Contributions (Cont.)

- | | |
|--|--|
| <p>D. Rollover of Interest Earned on Voluntary Contributions</p> | <p>Interest refunded to the employee is subject to a mandatory 20% tax withholding. However, if the interest on the voluntary contributions account is at least \$200, the employee can elect to have OPM roll over all or part of the interest to an Individual Retirement Account (IRA) or other qualified retirement plan to defer income tax. A direct payment to the employee will not defer the tax, even if the employee chooses to deposit it in an eligible IRA after receiving it.</p> |
| <p>E. Taxation of Voluntary Contributions Used to Purchase Additional Annuity</p> | <p>Employees in a position to make rollover decisions at the time they request a refund can submit their rollover election on form RI 38-124 with their refund request, either on RI 38-124 or SF 2802 with notation.</p> <hr/> <p>If voluntary contributions are used to purchase an additional annuity, the annuity payments are taxed under the "General Rule" or the "Simplified General Rule."</p> <hr/> <p>NOTE: Refer to IRS Publication 721, "Comprehensive Tax Guide to U.S. Civil Service Benefits," for further information.</p> |
| <p>F. Example 1: Refund While Employee Under CSRS</p> | <p>Bob, age 45, needs the funds in his voluntary contributions account to place a down payment on a house. He files an SF 2802 with his employing agency in February 1990 and receives a refund from OPM of \$33,380 in March 1990. (\$33,380 = \$30,000 voluntary contributions Bob has made plus \$3,380 accrued interest.)</p> <ol style="list-style-type: none"> 1. The \$3,380 accrued interest is taxable income in 1990. 2. Since Bob received the refund before he attained age 59 1/2 and he does not meet one of the exceptions, for example, he did not separate from service and attain age 55 during 1990, the interest is also subject to a 10-percent early distribution tax. 3. OPM withheld the mandatory 20-percent tax of \$676 on the interest portion of Bob's refund, in addition to the 10-percent early distribution tax. |

Section 31A4.1-2 Taxation of Voluntary Contributions (Cont.)**F. Example 1:
Refund While
Employee Under
CSRS (Cont.)**

4. If Bob did not need the interest as well as the principal for the downpayment, he could have elected to have OPM roll over the interest into an IRA and avoided paying tax on the interest in 1990.

**G. Example 2:
Refund to
Employee
Retiring Under
Age 55**

Jason's position is being abolished and he is retiring under the discontinued service provisions effective January 1, 1994, at age 45. Jason has a voluntary contributions account with a balance of \$44,360 as of the date of his retirement (\$44,360 = \$40,000 voluntary contributions Jason has made plus \$4,360 accrued interest).

1. At retirement, Jason may elect either:
 - A refund of his voluntary contributions account; or
 - A refund with a direct rollover of the interest to an IRA; or
 - Payment of a voluntary contributions annuity.

Jason elects a refund of his voluntary contributions account.

2. He receives a voluntary contributions refund payment of \$44,360 in 1994. The accrued interest of \$4,360 is taxable income in 1994.
 3. Since Jason received the refund before attaining age 59 1/2 and he does not meet one of the exceptions, that is, he did not attain age 55 in 1994, the year he separated from the service, the interest also is subject to the 10-percent early distribution tax.
 4. To avoid paying the 20-percent tax and the 10-percent early distribution tax, Jason could have elected to have OPM roll the interest over directly to an IRA.
-

Section 31A4.1-2 Taxation of Voluntary Contributions (Cont.)**H. Example 3:
Refund After
Regular
Voluntary
Retirement**

Anne retires voluntarily effective March 1, 1994, at age 55. Anne has a voluntary contributions account with a balance of \$16,250 as of the date of her retirement (\$16,250 = \$15,000 voluntary contributions Anne has made plus \$1,250 accrued interest).

1. At retirement, Anne may elect either:
 - A refund of her voluntary contributions account; or
 - A refund of her voluntary contributions account with a direct rollover of the interest to an IRA; or
 - Payment of a voluntary contributions annuity.

Anne elects a refund of her voluntary contributions account with a direct rollover of the taxable portion into an IRA.

2. The interest (\$1,250) is not taxable income in 1994.
 3. She will receive a voluntary contributions refund payment from OPM of \$16,250 in 1994. Because she chose to roll over the interest, she is not subject to the 10-percent early distribution tax. However, she would have avoided the tax, since she meets one of the exceptions, that is, her separation occurred after the year in which she attained age 55.
-

Part 31A5 Procedures**Section 31A5.1-1 Making Voluntary Contribution Payments**

A. General

Voluntary contribution payments are made directly to OPM. Payments cannot be made by payroll deductions.

**B. Employee
Responsibility**

An employee who wants to make voluntary contributions must:

1. Obtain SF 2804, Application to Make Voluntary Contributions, from the employing agency.
2. Complete the application and submit it to the agency personnel office.

NOTE 1: An employee must pay all deposits or redeposits for nondeduction service or refunded service prior to making voluntary contributions.

NOTE 2: The employee should not send money with the application. OPM does not accept contributions until it approves the application.

**C. Agency
Responsibility**

Upon receipt of a completed SF 2804 from an employee, the agency must:

1. Complete the agency certification box to provide verification of employment under CSRS.

NOTE: Agency certification is not needed for separated employees whose retirement applications are pending at OPM.

2. Mail the application directly to OPM at the following address:

Office of Personnel Management
Retirement Operations Center
Boyers, PA 16017

NOTE: The record and account of voluntary contributions are maintained by OPM and not by the employing agency. Agencies must not, under any circumstances, enter a voluntary contribution on the employee's SF 2806, Individual Retirement Record.

Section 31A5.1-1 Making Voluntary Contribution Payments (Cont.)**D. OPM
Responsibility**

After the application is approved, OPM:

1. Assigns the employee a voluntary contributions account number (a CSV number).
 2. Sends instructions to the employee on how to make payments to the voluntary contributions account.
 3. Sends payment receipts and the Voluntary Contributions Annual Statement of Account to account holders. The statements are sent at the beginning of each year, showing the amount of interest through December 31 of the preceding year.
-

Section 31A5.1-2 Purchasing Additional Annuity

A. General Rule

The voluntary contributions account is automatically converted to an additional annuity at retirement unless the retiree requests a refund of the voluntary contributions by filing SF 2802, Application for Refund of Retirement Deductions, or RI 38-124, Voluntary Contributions Election Form, with OPM before final adjudication of the basic annuity.

NOTE: The retiree may attach SF 2802 or RI 38-124 to the retirement application if he or she wants a refund of voluntary contributions.

Section 31A5.1-3 Withdrawing Voluntary Contributions

**A. Employee
Responsibility**

An employee who wants to withdraw all of his or her voluntary contributions with or without a rollover of the interest, must:

1. Obtain RI 38-124, Voluntary Contributions Election Form, from the employing agency. **Or**

Obtain SF 2802, Application for Refund of Retirement Contributions, and state in item 7 "I want only my voluntary contributions to be refunded to me" or similar words expressing this intent.

2. Complete the application or election form and submit it to the agency personnel office.

NOTE: Spousal notification is not required for a voluntary contributions refund.

**B. Separated
Employee
Responsibility**

Separated employees must follow the procedures listed below in order to obtain only a refund of voluntary contributions:

1. Obtain RI 38-124, Voluntary Contributions Election Form. **OR**

Obtain SF 2802, Application for Refund of Retirement Deductions, and state in item 7 "I want only my voluntary contributions to be refunded to me" or similar words expressing this intent.

2. Complete the application or election form and send it directly to OPM at the following address:

**Office of Personnel Management
Retirement Operations Center
Boyers, PA 16017**

NOTE: A separated employee requesting only a refund of voluntary contributions by using SF 2802 must ensure that the SF 2802 is annotated to that effect to prevent an undesired refund of all contributions.

Section 31A5.1-3 Withdrawing Voluntary Contributions (Cont.)**C. Agency
Responsibility**

The agency must provide the employee with:

- Voluntary Contributions Notice (Form RI 38-125)
- Special Tax Notice Regarding Rollovers (Form RI 37-22) for information on refunds, rollovers, taxes and voluntary contributions annuities. The Special Tax Notice Regarding Rollovers is also found in Chapter 40 and may be locally reproduced.
- Voluntary Contributions Election Form (RI 38-124) **or** SF 2802.

Upon receipt of a completed SF 2802 or RI 38-124 from an employee, the agency must certify the date of receipt in the appropriate box, on the SF 2802, and mail the application directly to OPM at the following address:

**Office of Personnel Management
Retirement Operations Center
Boyers, PA 16017**

**D. OPM
Responsibility**

Upon receipt and approval of SF 2802 or RI 38-124, OPM refunds the entire voluntary contributions account to the employee or retiree, and completes the requested rollover action.
